Saskatchewan

Special Report
by the Provincial Auditor
to the
Legislative Assembly of Saskatchewan
regarding
Changes to *The Provincial Auditor Act*

February 2000

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Vision

We envision effective, open and accountable government. We are committed to making a difference by encouraging excellence in public sector management and reporting practices.

Mission

Our Office serves the people of Saskatchewan through the Legislative Assembly. We encourage accountability and effective management in government operations through our independent examinations, advice and reports on the management of public resources entrusted to government.

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February 17, 2000

The Honourable Ronald Osika
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
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Dear Sir:

I have the honour of submitting my *Special Report to the Legislative Assembly of Saskatchewan Regarding Changes to the Provincial Auditor Act* in accordance with the provisions of Section 14 of *The Provincial Auditor Act.*

Respectfully submitted,

Wayne Strelioff

Wayne Strelioff, CA
Provincial Auditor

/dd

100-03688/

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Introduction

Legislators' views sought

The December 6, 1999 Speech from the Throne states the Government will introduce changes to *The Provincial Auditor Act* to update this legislation.

The purpose of this Report is to obtain the views of the Standing Committee on Public Accounts on what changes to the Act are necessary to strengthen the accountability of the Government to the Legislative Assembly.

In our 1999 Fall Report - Volume 2, we said we would seek the advice of the Standing Committee on Public Accounts on changes to the Act before the Minister of Finance introduces changes to the Assembly. It is important that we obtain the advice of this Committee because the mandate of this Committee is to "work with the Provincial Auditor to achieve maximum accountability [of the Government] to the Legislature".

After I receive the Committee's advice, I will draft proposed changes to the Act and provide them to the Minister of Finance.

Risk

Well-managed governing bodies are those that establish adequate control to manage the key risks their organizations face as they work to achieve their objectives. We suggest the Committee use a risk management approach to consider what changes to the Act are required to achieve the Assembly's objectives. One of the Assembly's objectives is to hold the Executive Government accountable for its use of the powers and the resources entrusted to it.

The Legislative Assembly is the governing body. The Executive Government receives its powers and resources from the Assembly. The Executive Government is accountable to the Assembly for the Government's use of its powers and the resources entrusted to it.

Assembly's Risk

One of the key risks to the Assembly of not achieving its objective is that it will not have independent, relevant and reliable information on the Government's performance. To help address this risk, the Assembly enacted *The Provincial Auditor Act*.

Respect for the law makes our parliamentary system of government work. Addressing, in *The Provincial Auditor Act*, the risks to the Assembly of not obtaining independent information on the Government's performance will help to prevent actions that may result in the Assembly not obtaining the independent information it needs to hold the Government accountable.

Autonomy and Accountability

As the Standing Committee on Public Accounts considers what changes to the Act are necessary, I ask it to consider the relationship between accountability and autonomy. Over the years, I have noticed ongoing confusion between these two concepts. Some officials state that to strengthen the accountability of an organization, the organization should have less autonomy. This action has the opposite effect. When the autonomy of an organization is weakened, the organization becomes less accountable because it cannot be held accountable for decisions made by others.

Also, I often hear officials argue that because an organization has autonomy, that organization should not be accountable. All organizations earn autonomy through being accountable for their performance. All organizations should have the required autonomy and should be held accountable for their decisions and performance.

I think government organizations and my Office should have complete autonomy to do our jobs and we should be made fully accountable to the Assembly for our decisions.

An effective accountability relationship should ensure there is:

- An agreed upon plan that is clear as to responsibilities, authority, performance expectations, and resources needed,
- A reliable report on performance, and
- A reasonable review of performance.

Report Framework

We used the framework established by the Criteria of Control Board of The Canadian Institute of Chartered Accountants (CICA) to help us identify the Assembly's risks in obtaining independent, reliable and relevant information from the Provincial Auditor.

In this Report, we set out our views of the Assembly's key risks in obtaining independent, reliable and relevant information from the Provincial Auditor about the Government's performance. We think those risks relate to:

- setting the Provincial Auditor's objectives,
- setting the Provincial Auditor's responsibility and authority,
- providing the Provincial Auditor the capacity to do the job, and
- making the Provincial Auditor accountable for plans and results.

For each of these four topics, we set out:

- the risks associated with each topic,
- why the Act should address those risks,
- how well the current Act addresses each risk, and
- recommendations for changes to the Act to improve the accountability of the Government and our Office to the Assembly.

I look forward to reviewing this Report with the Standing Committee on Public Accounts. There are many recommendations in this Report that will improve the accountability of the Government to the Assembly and the accountability of the Provincial Auditor to the Assembly. The appendix to this Report contains a schedule that will help the Committee work through the 15 key risks identified in this report and our recommendations to address those risks.

Setting the Provincial Auditor's Objectives

The Assembly's risks

To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance:

- the Act should explicitly set out the Assembly's objective for the Provincial Auditor, and
- the Act should exclusively govern the Provincial Auditor.

Why the Act should address these risks

Objectives provide direction. Well-managed governing bodies are those that set out their purpose in terms of clear and measurable objectives.

Explicitly setting out the Provincial Auditor's objectives in law ensures that everyone understands what the Assembly wants from the Provincial Auditor. Explicitly setting the Provincial Auditor's objectives in law prevents the Government and the Assembly's Committees and Boards from interpreting the law in a way that prevents the Provincial Auditor from providing the Assembly the information it needs. Also, setting the Provincial Auditor's purpose in law will help to ensure the Provincial Auditor achieves the Assembly's objective.

Changes to the Provincial Auditor's responsibilities should be made within *The Provincial Auditor Act* and not through other acts. Making changes within the Act ensures the Assembly can fully understand and debate the implications. The Standing Committee on Public Accounts agreed with this important principle in 1993 when it considered changes to *The Crown Corporations Act, 1993*. That Act was proposing changes to the Provincial Auditor's responsibilities.

How the current Act addresses these risks

The current Act does not explicitly set out the Assembly's objective for establishing the Provincial Auditor.

The current Act exclusively governs the Provincial Auditor.

Recommendation for change to the Act

We recommend the Assembly should revise the Act to explicitly set out the Assembly's objective for establishing the Provincial Auditor.

We suggest the Act should contain the following objective for the Provincial Auditor. The Provincial Auditor's objective is to ensure the Assembly receives independent, relevant and reliable information about the Government's management of the public resources and responsibilities entrusted to it by the Assembly. The Provincial Auditor assists the Assembly to hold the Government accountable for its performance. This objective is consistent with current practice.

Setting the Provincial Auditor's Responsibility and Authority

The Assembly's risks

To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance:

- The Act should clearly set out the information that the Provincial Auditor is responsible to provide to the Assembly. That information should be consistent with the Assembly's objectives,
- The Act should give the Provincial Auditor the authority to provide the required information, and
- The Act should ensure the Provincial Auditor shares the same values as the Assembly.

Why the Act should address these risks

To ensure the Assembly receives the information it expects from the Provincial Auditor, it is important the Act clearly states what information the Provincial Auditor is responsible to provide. We look to the mandate of the Standing Committee on Public Accounts to determine what information the Assembly expects from the Provincial Auditor to achieve the Assembly's objective.

The Committee's mandate sets out what it will examine and evaluate. As stated in its mandate, the Committee works with the Provincial Auditor to

effectively carry out the Committee's examinations and evaluations. The Committee therefore needs information from the Provincial Auditor consistent with the Committee's examinations and evaluations.

The Committee states it will examine and evaluate:

- The collection of and accounting for revenue.
- The probity of and value for money in tax expenditures.
- The adequacy of safeguards to protect assets from loss, waste and misappropriation.
- Whether appropriate financial management controls are in existence.
- The systems and practices to determine whether transfer payments are used for purposes intended.
- The efficiency, economy, and effectiveness and value for money in implementation of government programs and in their achievement of stated goals in the operation and acquisition of goods and services.
- Whether expenditures are within the limits and for purposes authorized by the Legislature and in general, in compliance with legislative authority.
- Any financial management reforms in government to determine whether due regard is given to maintaining legislative accountability (e.g., changes to *The Provincial Auditor Act*).
- The activities of all Crown corporations and agencies.
- The value for money obtained from the divestiture of any Crown corporation or agency.

The Act should provide the Provincial Auditor the authority to examine and report on all government organizations and on other organizations that receive public money (e.g., recipients of transfer payments). This is necessary so the Provincial Auditor can provide the Assembly with all the information required by the Committee's examination and evaluation mandate.

Shared ethical values influence everything an organization does. The Assembly and the Provincial Auditor should share the same ethical values for public sector conduct. Setting out in law, what values the Assembly wants the Provincial Auditor to have will help ensure the Provincial Auditor discharges responsibilities and exercises authority following the Assembly's values.

Ethical values for the conduct of public business include selflessness, integrity, objectivity, accountability, and leadership.

How the current Act addresses these risks

The current Act sets out what information the Provincial Auditor is responsible to provide the Assembly. We interpret the Act as sufficient to provide the Standing Committee on Public Accounts with this information. However, the wording of the Act is not clearly consistent with the information the Committee needs to effectively carry out the Committee's examination and evaluation mandate. As a result, government officials sometimes argue that the Provincial Auditor's mandate to provide information to the Assembly does not extend to all of the matters listed in the Committee's mandate. To ensure the Assembly receives the information it needs, the Assembly should change the Act to clearly set out what information it requires from the Provincial Auditor.

We think the current Act gives the Provincial Auditor the authority to examine and report on all government organizations. Sometimes, however, there is confusion about the Provincial Auditor's authority. Also, the current Act does not ensure the Provincial Auditor can examine and report on how well recipients of transfer payments manage public money. To ensure the Assembly receives the information it needs, the Assembly needs to change the Act to clearly set out the Provincial Auditor's authority. Four areas need change.

1. At times, there is confusion about the Provincial Auditor's authority and responsibility when the Government appoints its own auditor to audit a government agency. In February 1994, in response to a Standing Committee on Public Accounts recommendation, the Crown Investments Corporation of Saskatchewan (CIC) and the Provincial Auditor established a Task Force to clarify the roles, responsibilities, and duties of auditors. The Task Force reported to the Committee on October 27, 1994. The Chair of the Task Force advised the Committee that the Task Force concluded:
   - The Assembly created one overall auditor, the Provincial Auditor, to audit the accounts of the Government of Saskatchewan
   - The duties and responsibilities of the Provincial Auditor, as defined in *The Provincial Auditor Act*, apply to the audits of

commercial Crown corporations, either directly or through reliance on appointed auditors.

- Audits, whether done by the Provincial Auditor or appointed auditors, ultimately must satisfy the needs of the Assembly.

The Chair of the Task Force also advised the Committee that the conclusions formed the basis for the recommendations of the Task Force. On October 27, 1994, the Committee agreed with the Task Force recommendations. The Task Force protocols have operated satisfactorily for several years. The protocols relate to how audits are planned, carried out and reported to satisfy the needs of the Assembly. The Act should include the Task Force's protocols and conclusions.

2. At times, there is confusion about the Provincial Auditor's authority to examine and report on government organizations established under a business corporations act or *The Non-profit Corporations Act, 1995*. When government officials do not allow the Provincial Auditor to examine these organizations, the Assembly does not receive the information it requires for holding the Government accountable for its performance.

3. The Government is carrying out more of its programs in partnerships. There may be confusion in the future about the Provincial Auditor's authority to examine and report on cost and revenue sharing programs carried out in partnership with other jurisdictions and other levels of government.

4. The current Act does not ensure the Provincial Auditor's authority to examine the management practices of recipients of transfer payments to ensure public money is safeguarded and spent for the purpose intended.

In addition, the current Act does not explicitly set out the ethical values the Assembly expects of the Provincial Auditor for the conduct of public business.

Recommendations for changes to the Act

We recommend the Assembly should revise the Act to specifically require the Provincial Auditor to provide the following additional information about the Government's performance. The Provincial Auditor should report to the Assembly:

- When the Government's use of public money has not been efficient and economical.
- When the Government has not established satisfactory procedures, where procedures could appropriately and reasonably have been used to measure and report on the effectiveness of programs.
- Whether the Government's performance reports are reliable and include clear measurable objectives, the risks to achieving those objectives, how the risks are managed, and the planned and actual results.
- When recipients of transfer payments do not have adequate systems and practices to safeguard and control public money and have not used public money for the purpose intended.
- When tax expenditures (credits) do not have appropriate financial controls and do not have appropriate procedures to measure and report on the effectiveness of the tax expenditures.

We recommend the Assembly should revise the Act to make it clear that the Provincial Auditor has the authority to examine and report on:

- all government organizations regardless of whether or not the Government has appointed its own auditor to audit an organization. The conclusions and recommendations of *The Report of the Task Force on the Roles, Responsibilities and Duties of Auditors* should be included in the Act,
- all government agencies created under a business corporations act or *The Non-profit Corporations Act, 1995* that are owned by the Government or that may be controlled by the Government,
- partnerships with other jurisdictions and other levels of government, and
- how recipients of transfer payments managed public money.

We recommend the Assembly should revise the Act to clearly set out the ethical values the Assembly wants the Provincial Auditor to have for conducting public business.

Providing the Provincial Auditor with the Capacity to Do the Job

The Assembly's risks

To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance:

- The Act should ensure that the Provincial Auditor enjoys the protection of the Assembly,
- The Act should ensure the Provincial Auditor has the required resources,
- The Act should ensure the Government and the Assembly's committees and boards cannot intrude on the Provincial Auditor's responsibility to decide what should be audited and how it should be audited and reported to the Assembly,
- The Act should ensure the Government and the Assembly's committees and boards cannot interfere with the Provincial Auditor's authority to decide and acquire the necessary people and tools needed to meet the Assembly's objective,
- The Act should ensure the Provincial Auditor has access to people, places, documents, and electronic information to provide the Assembly with the information it requires,
- The Act should ensure the Provincial Auditor provides reliable information to the Assembly, and
- The Act should provide for the periodic renewal of the position of Provincial Auditor.

Why the Act should address these risks

The Provincial Auditor should be an Officer of the Legislative Assembly. This way the Provincial Auditor enjoys the protection accorded to the Assembly's Officers by *The Legislative Assembly and Executive Council Act*. A committee of the Assembly should select and recommend to the Assembly a person for appointment as Provincial Auditor to ensure the

Assembly is involved. The Standing Committee on Public Accounts is the appropriate committee to select the Provincial Auditor as this Committee must work closely with the Provincial Auditor. Also, The Act should set the Provincial Auditor's salary. This ensures the Government and committees and boards of the Assembly cannot change the Provincial Auditor's salary. The Provincial Auditor needs the protection of the rules of the Assembly, which ensure a full public debate of the Provincial Auditor's salary. All of these protections will help ensure the Provincial Auditor can examine and report on difficult issues in a credible manner. To be of value, the Provincial Auditor must be truly independent and perceived to be independent.

The Assembly should influence the amount of resources for the Provincial Auditor that is included in the Estimates. Also, to prevent a conflict of interest, members of the Executive Council or Government-appointed officials should not have the ability to influence or be perceived to influence the amount of resources for the Provincial Auditor that is included in the Estimates. The Standing Committee on Public Accounts is made up of elected members that are not members of the Executive Council. In 1983, the Committee changed its rules for membership to recognize a conflict of interest if members of the Executive Council sat on a committee charged with holding the Executive Government accountable. Before this change, members of the Executive Council were members of the Committee. The Committee is the appropriate committee to review and recommend the Provincial Auditor's resources. Currently, the Board of Internal Economy recommends our resources. This Board includes members of the Executive Council. Also, under the Act we have to audit the accounts of the Board.

Also, the Assembly should provide the Provincial Auditor with flexibility to react to unforeseen issues that the Provincial Auditor must examine (e.g. Channel Lake and the closure of the Plains Health Centre). To provide this flexibility, the Act needs to provide the Provincial Auditor with the autonomy to use revenues such as audit fees and to retain unspent resources at the end of a fiscal year to pay for the costs of audits. The Assembly can control the amount of unspent resources the Provincial Auditor has through the annual amount included in the Estimates for the Provincial Auditor. We note the Assembly has given many government agencies the autonomy to use revenues and unspent resources from

previous years to carry out their responsibilities so they have the flexibility to do their jobs effectively.

If the Assembly is to receive independent and relevant advice, the Provincial Auditor must have the autonomy (independence) to decide what audit work needs to be done and how the work is carried out and reported to the Assembly (i.e., the work plan). The Act must ensure the Provincial Auditor is truly independent of the Government and its appointed officials in deciding the work plan. Also, the Act must ensure the Provincial Auditor can decide the work plan without interference from the Assembly's committees and boards. A key safeguard for ensuring the Provincial Auditor can examine and report difficult issues in a credible manner is the protection of the rules of the Assembly which ensure a full public debate. If those that are audited by the Provincial Auditor decide the Provincial Auditor's work plan, they have a conflict of interest. Also, if others decide the Provincial Auditor's work plan, the Provincial Auditor is no longer accountable for the work plan. To obtain the views of the Assembly on the adequacy of the work plan, the Standing Committee on Public Accounts should review the plan. The Committee should advise the Provincial Auditor what changes to the plan would help the Committee carry out its mandate.

If the Assembly is to receive independent, reliable, and relevant advice, the Provincial Auditor must have the autonomy (independence) to decide and acquire the necessary people and tools that are needed to do the job properly. The Act must ensure the Provincial Auditor can acquire the necessary people and tools without interference from the Executive Government and its appointed officials and committees and boards of the Assembly.

The Provincial Auditor needs unrestricted access to officials and accounts that the Provincial Auditor is required to examine to provide the Assembly with the required information. If government officials do not give the Provincial Auditor access to accounts they manage (e.g., the First Nations Fund), the Act should impose penalties on those officials.

The Act should require the Provincial Auditor to adhere to rigorous auditing standards to ensure the information provided to the Assembly is reliable. Currently, The Canadian Institute of Chartered Accountants sets generally accepted auditing standards for the private and public sectors.

The Provincial Auditor should be appointed for a fixed term. Appointing the Provincial Auditor for a fixed term provides for the periodic renewal of the position of Provincial Auditor to bring new ideas to the operation of the Office. The term should be long enough so that the Provincial Auditor can effect positive change to the Government's management of public resources. Making a difference to the way the Government manages public resources can take many years.

How the current Act addresses these risks

The current Act makes the Provincial Auditor an Officer of the Assembly. The current Act does not make the Standing Committee on Public Accounts responsible to select and recommend to the Assembly a person for appointment as the Provincial Auditor. Currently, the Act states Cabinet selects and appoints the Provincial Auditor. The Provincial Auditor's salary has the protection of the Assembly because the Act sets the Provincial Auditor's salary. The salary is currently set at the average salary of all Deputy Ministers to recognize the importance of the position in relation to government officials.

The current Act does not require the Standing Committee on Public Accounts to decide the Provincial Auditor's resources that are included in the Estimates the Government presents to the Assembly. Similar to many government agencies, the Act gives the Provincial Auditor the authority to receive other revenues, to use those revenues and to retain unspent resources.

The current Act provides the Provincial Auditor with complete independence from the Assembly's committees and boards and the Government. The Provincial Auditor decides what is to be audited and how the audit is carried out and reported to the Assembly (i.e., the work plan). The current Act attaches conditions and allows the Provincial Auditor to refuse assignments requested by the Assembly's committees and the Government. This was done to ensure the Provincial Auditor was not diverted from doing the primary work set out in the Act.

The current Act gives the Provincial Auditor the autonomy to decide how best to spend the resources available to obtain the required people and tools to do the job properly.

The current Act provides the Provincial Auditor with adequate access except for access to recipients of transfer payments. However, the Act does not impose penalties on officials who restrict the Provincial Auditor's access.

The current Act ensures the reliability of the information the Provincial Auditor provides to the Assembly. The Act requires the Provincial Auditor to be a Chartered Accountant. The Act also requires the Provincial Auditor to follow generally accepted auditing standards as prescribed by The Canadian Institute of Chartered Accountants. The Institute of Chartered Accountants of Saskatchewan has processes for ensuring Chartered Accountants do their examinations properly.

The current Act does not provide for the periodic renewal of the position of Provincial Auditor. The Provincial Auditor is appointed until the Provincial Auditor reaches the age of 65, or the Assembly removes the Provincial Auditor for cause, or the Provincial Auditor chooses to end his or her tenure.

Recommendations for changes to the Act

We recommend the Assembly should revise the Act:

- **To require the Standing Committee on Public Accounts to:**
  - **select and recommend to the Assembly a person for appointment as Provincial Auditor, and**
  - **decide the resources for the Provincial Auditor that is included in the Estimates that the Government presents to the Assembly,**

- **To provide the Provincial Auditor with access to the people, places, documents, and electronic information of recipients of transfer payments,**

- **To state that officials who fail to provide the Provincial Auditor access to the accounts they manage are deemed to have obstructed an Officer of the Legislative Assembly in the discharge of the duties required by the Assembly. The Act should then require a debate about this matter as provided for by *The Legislative Assembly and Executive Council Act*, and**

- **To make the appointment of the Provincial Auditor for a ten-year fixed term.**

As a transitional matter, the Committee should discuss and decide the date that the current Provincial Auditor's term begins and include that date in any changes to the Act.

Making the Provincial Auditor Accountable for Plans and Results

The Assembly's risks

To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance:

- The Act should require the Standing Committee on Public Accounts to monitor what is happening within Saskatchewan and in other jurisdictions to re-evaluate the Assembly's objective for the Provincial Auditor,
- The Act should clearly set out the Provincial Auditor's accountability to the Assembly for the use of authority and the discharge of responsibilities, and
- The Act should require the Standing Committee on Public Accounts to monitor the Provincial Auditor's performance to ensure the Assembly is receiving the information it needs to hold the Government and the Provincial Auditor accountable.

Why the Act should address these risks

The Assembly needs to monitor what is happening in Saskatchewan and in other jurisdictions to re-evaluate periodically its objective for the Provincial Auditor. This is necessary to ensure the Provincial Auditor continues to fulfill the Assembly's information needs. The Assembly should require the Standing Committee on Public Accounts to do this because this Committee works most closely with the Provincial Auditor. Also, this Committee's mandate is to hold the Government accountable for its performance.

The Act should provide the Provincial Auditor with complete autonomy to discharge the Provincial Auditor's responsibilities. With this autonomy it is

important that the Provincial Auditor is accountable for the use of authority and the discharge of responsibilities.

An effective accountability relationship should ensure there is:

- An agreed upon plan that is clear as to responsibilities, authority, performance expectations, and resources needed;
- A reliable report on performance; and
- A reasonable review of performance.

In other sections of this Report, we discussed responsibilities, authority and resources. In this section, we discuss the information the Assembly needs on the Provincial Auditor's expected (planned) performance and actual performance and on the review of the planned and actual performance.

To hold the Provincial Auditor accountable, the Act should require the Provincial Auditor to give the Assembly two performance reports. Those reports are a business and financial plan setting out planned performance and an annual report on operations setting out actual performance. The performance reports should include audit assurance from the person who audits the Provincial Auditor that the performance reports are reliable.

The Act should also ensure the Assembly receives independent, reliable and relevant information about other aspects of the Provincial Auditor's performance (e.g., compliance with the law) directly from the person who audits the Provincial Auditor.

The Assembly needs to monitor the Provincial Auditor's planned and actual performance and to provide advice to the Provincial Auditor to improve performance. This is necessary to ensure the Provincial Auditor provides the Assembly with required information about the Government's performance effectively. To recognize the Provincial Auditor is accountable only to the Assembly, the review should be carried out by a Committee of the Assembly that does not include Cabinet Ministers or Government-appointed officials. The Standing Committee on Public Accounts is the appropriate committee to monitor the Provincial Auditor's performance. The Act should require the Committee to do so and provide the Committee with the authority to acquire the resources to do so effectively.

How the current Act addresses these risks

The current Act does not require the Standing Committee on Public Accounts to periodically reassess the Assembly's objective for the Provincial Auditor.

The current Act does not require the Provincial Auditor to give the Assembly an annual business and financial plan setting out planned performance and an annual report on operations setting out actual performance. The Provincial Auditor currently gives the Assembly these two reports. The Act should require the Provincial Auditor to give these two reports to the Assembly.

The current Act requires that an auditor appointed by Cabinet audits the Provincial Auditor. By law, that auditor is required to provide independent, reliable, and relevant information to the Standing Committee on Public Accounts about the Provincial Auditor's performance. Also, by law, the auditor that audits the Provincial Auditor has the same authority and responsibility as the Provincial Auditor.

The current Act does not require the Standing Committee on Public Accounts to review the Provincial Auditor's planned and actual performance and to provide advice to the Provincial Auditor.

Recommendations for changes to the Act

We recommend the Assembly should change the Act to require:

- **the Standing Committee on Public Accounts to periodically review the Assembly's objective for the Provincial Auditor,**
- **the Provincial Auditor to give the Assembly an annual business and financial plan and an annual report on operations, and**
- **the Standing Committee on Public Accounts to review annually the plan and the report on operations with the Provincial Auditor and to provide advice to improve the Provincial Auditor's performance. The Act should also provide the Committee with authority to acquire the resources to do so effectively.**

Summary

I look forward to reviewing this Report with the Standing Committee on Public Accounts. There are many recommendations in this Report that will improve the accountability of the Government to the Assembly and the accountability of the Provincial Auditor to the Assembly. The appendix to this Report contains a schedule that will help the Committee work through the 15 key risks identified in this report and our recommendations to address those risks.

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The Assembly's Risks	Why the Act should address the risks
1. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should explicitly set out the Assembly's objective for the Provincial Auditor.	Objectives provide direction. Well-managed governing bodies are those that set out their purpose in terms of clear and measurable objectives. Explicitly setting out the Provincial Auditor's objectives in law ensures that everyone understands what the Assembly wants from the Provincial Auditor. Explicitly setting the Provincial Auditor's objectives in law prevents the Government and the Assembly's Committees and Boards from interpreting the law in a way that prevents the Provincial Auditor from providing the Assembly the information it needs. Also, setting the Provincial Auditor's purpose in law will help to ensure the Provincial Auditor achieves the Assembly's objective.
2. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should exclusively govern the Provincial Auditor.	Changes to the Provincial Auditor's responsibilities should be made within *The Provincial Auditor Act* and not through other acts. Making changes within the Act ensures the Assembly can fully understand and debate the implications. The Standing Committee on Public Accounts agreed with this important principle in 1993 when it considered changes to *The Crown Corporations Act, 1993*. That Act was proposing changes to the Provincial Auditor's responsibilities.

How the current Act manages the risks	Recommendation for change to the Act
The current Act does not explicitly set out the Assembly's objective for establishing the Provincial Auditor.	The Act should clearly set out the Assembly's purpose for establishing the Provincial Auditor. We suggest the Act should contain the following objective for the Provincial Auditor. The Provincial Auditor's objective is to ensure the Assembly receives independent, reliable and relevant information about the Government's management of the public resources and responsibilities entrusted to it by the Assembly. The Provincial Auditor assists the Assembly to hold the Government accountable for its performance. This objective is consistent with current practice.
The current Act exclusively governs the Provincial Auditor.	No change recommended.

The Assembly's Risks	Why the Act should address the risks
3. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should clearly set out the information that the Provincial Auditor is responsible to provide to the Assembly. That information should be consistent with the Assembly's objectives.	To ensure the Assembly receives the information it expects from the Provincial Auditor, it is important the Act clearly states what information the Provincial Auditor is responsible to provide. We look to the mandate of the Standing Committee on Public Accounts to determine what information the Assembly expects from the Provincial Auditor to achieve the Assembly's objective. The Committee's mandate sets out what it will examine and evaluate. As stated in its mandate, the Committee works with the Provincial Auditor to effectively carry out the Committee's examinations and evaluations. The Committee therefore needs information from the Provincial Auditor consistent with the Committee's examinations and evaluations. The Committee states it will examine and evaluate: ♦ The collection of and accounting for revenue. ♦ The probity of and value for money in tax expenditures. ♦ The adequacy of safeguards to protect assets from loss, waste and misappropriation. ♦ Whether appropriate financial management controls are in existence. ♦ The systems and practices to determine whether transfer payments are used for purposes intended. ♦ The efficiency, economy, and effectiveness and value for money in implementation of government programs and in their achievement of stated goals in the operation and acquisition of goods and services. ♦ Whether expenditures are within the limits and for purposes authorized by the Legislature and in general, in compliance with legislative authority. ♦ Any financial management reforms in government to determine whether due regard is given to maintaining legislative accountability (e.g., changes to *The Provincial Auditor Act*). ♦ The activities of all Crown corporations and agencies. ♦ The value for money obtained from the divestiture of any Crown corporation or agency.

How the current Act manages the risks	Recommendation for change to the Act
The current Act sets out what information the Provincial Auditor is responsible to provide the Assembly. We interpret the Act as sufficient to provide the Standing Committee on Public Accounts with this information. However, the wording of the Act is not clearly consistent with the information the Committee needs to effectively carry out the Committee's examination and evaluation mandate. As a result, government officials sometimes argue that the Provincial Auditor's mandate to provide information to the Assembly does not extend to all of the matters listed in the Committee's mandate. To ensure the Assembly receives the information it needs, the Assembly should change the Act to clearly set out what information it requires from the Provincial Auditor.	The Act should be changed to specifically require the Provincial Auditor to provide the following additional information about the Government's performance. The Provincial Auditor should report to the Assembly: ♦ When the Government's use of public money has not been efficient and economical. ♦ When the Government has not established satisfactory procedures, where procedures could appropriately and reasonably have been used to measure and report on the effectiveness of programs. ♦ whether the Government's performance reports are reliable and include clear measurable objectives, the risks to achieving those objectives, how the risks are managed, and the planned and actual results. ♦ When recipients of transfer payments do not have adequate systems and practices to safeguard and control public money and have not used public money for the purpose intended. ♦ When tax expenditures (credits) do not have appropriate financial controls and do not have appropriate procedures to measure and report on the effectiveness of the tax expenditure.

The Assembly's Risks	Why the Act should address the risks
4. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should give the Provincial Auditor the authority to provide the required information.	The Act should provide the Provincial Auditor the authority to examine and report on all government organizations and on other organizations that receive public money (e.g., recipients of transfer payments). This is necessary so the Provincial Auditor can provide the Assembly with all the information required by the Committee's examination and evaluation mandate.

How the current Act manages the risks	Recommendation for change to the Act
We think the current Act gives the Provincial Auditor the authority to examine and report on all government organizations. Sometimes, however, there is confusion about the Provincial Auditor's authority. Also, the current Act does not ensure the Provincial Auditor can examine and report on how well recipients of transfer payments manage public money. To ensure the Assembly receives the information it needs, the Assembly needs to change the Act to clearly set out the Provincial Auditor's authority. Four areas need change.	
1. At times, there is confusion about the Provincial Auditor's authority and responsibility when the Government appoints its own auditor to audit a government agency. In February 1994, in response to a Standing Committee on Public Accounts recommendation, the Crown Investments Corporation of Saskatchewan (CIC) and the Provincial Auditor established a Task Force to clarify the roles, responsibilities, and duties of auditors. The Task Force reported to the Committee on October 27, 1994. The Chair of the Task Force advised the Committee that the Task Force concluded: ♦ The Assembly created one overall auditor, the Provincial Auditor, to audit the accounts of the Government of Saskatchewan ♦ The duties and responsibilities of the Provincial Auditor, as defined in *The Provincial Auditor Act*, apply to the audits of commercial Crown corporations, either directly or through reliance on appointed auditors. ♦ Audits, whether done by the Provincial Auditor or appointed auditors, ultimately must satisfy the needs of the Assembly. The Chair of the Task Force also advised the Committee that the conclusions formed the basis for the recommendations of the Task Force. On October 27, 1994, the Committee agreed with the Task Force recommendations. The Task Force protocols have operated satisfactorily for several years. The protocols relate to how audits are planned, carried out and reported to satisfy the needs of the Assembly. The Act should include the Task Force's protocols and conclusions.	The Act should make it clear that the Provincial Auditor shall report to the Assembly on all government organizations regardless of whether or not the Government has appointed its own auditor to audit an organization. The conclusions and recommendations of *The Report of the Task Force on the Roles, Responsibilities and Duties of Auditors* should be included in the Act.
2. At times, there is confusion about the Provincial Auditor's authority to examine and report on government organizations established under a business corporations act or *The Non-profit Corporations Act, 1995*. When government officials do not allow the Provincial Auditor to examine these organizations, the Assembly does not receive the information it requires for holding the Government accountable for its performance.	The Act should make it clear the Provincial Auditor has the authority to audit all government agencies that are owned or that may be controlled by the Government.
3. The Government is carrying out more of its programs in partnerships. There may be confusion in the future about the Provincial Auditor's authority to examine and report on cost and revenue sharing programs carried out in partnership with other jurisdictions and other levels of government.	The Act should provide the Provincial Auditor with authority to examine partnerships with other jurisdictions and other levels of government.
4. The current Act does not ensure the Provincial Auditor's authority to examine the management practices of recipients of transfer payments to ensure public money is safeguarded and spent for the purpose intended.	The Act should provide the Provincial Auditor unrestricted access to the officials and the accounts of recipients of transfer payments.

The Assembly's Risks	Why the Act should address the risks
5. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should ensure the Provincial Auditor shares the same values as the Assembly.	Shared ethical values influence everything an organization does. The Assembly and the Provincial Auditor should share the same ethical values for public sector conduct. Setting out in law, what values the Assembly wants the Provincial Auditor to have will help ensure the Provincial Auditor discharges responsibilities and exercises authority following the Assembly's values. Ethical values for the conduct of public business include selflessness, integrity, objectivity, accountability, and leadership.
6. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should ensure that the Provincial Auditor enjoys the protection of the Assembly.	The Provincial Auditor should be an Officer of the Legislative Assembly. This way the Provincial Auditor enjoys the protection accorded to the Assembly's Officers by *The Legislative Assembly and Executive Council Act*. A committee of the Assembly should select and recommend to the Assembly a person for appointment as Provincial Auditor to ensure the Assembly is involved. The Standing Committee on Public Accounts is the appropriate committee to select the Provincial Auditor as this Committee must work closely with the Provincial Auditor. Also, The Act should set the Provincial Auditor's salary. This ensures the Government and committees and boards of the Assembly cannot change the Provincial Auditor's salary. The Provincial Auditor needs the protection of the rules of the Assembly, which ensure a full public debate of the Provincial Auditor's salary. All of these protections will help ensure the Provincial Auditor can examine and report on difficult issues in a credible manner. To be of value, the Provincial Auditor must be truly independent and perceived to be independent.

How the current Act manages the risks	Recommendation for change to the Act
The current Act does not explicitly set out the ethical values the Assembly expects of the Provincial Auditor for the conduct of public business.	The Act should clearly set out the ethical values the Assembly wants the Provincial Auditor to have for the conduct of public business.
The current Act makes the Provincial Auditor an Officer of the Assembly. The current Act does not make the Standing Committee on Public Accounts responsible to select and recommend to the Assembly a person for appointment as the Provincial Auditor. Currently, the Act states Cabinet selects and appoints the Provincial Auditor. The Provincial Auditor's salary has the protection of the Assembly because the Act sets the Provincial Auditor's salary. The salary is currently set at the average salary of all Deputy Ministers to recognize the importance of the position in relation to government officials.	The Act should require the Standing Committee on Public Accounts to select and recommend to the Assembly a person for appointment as Provincial Auditor.

The Assembly's Risks	Why the Act should address the risks
7. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should ensure the Provincial Auditor has the required resources.	The Assembly should influence the amount of resources for the Provincial Auditor that is included in the Estimates. Also, to prevent a conflict of interest, members of the Executive Council or Government-appointed officials should not have the ability to influence or be perceived to influence the amount of resources for the Provincial Auditor that is included in the Estimates. The Standing Committee on Public Accounts is made up of elected members that are not members of the Executive Council. In 1983, the Committee changed its rules for membership to recognize a conflict of interest if members of the Executive Council sat on a committee charged with holding the Executive Government accountable. Before this change, members of the Executive Council were members of the Committee. The Committee is the appropriate committee to review and recommend the Provincial Auditor's resources. Currently, the Board of Internal Economy recommends our resources. This Board includes members of the Executive Council. Also, under the Act we have to audit the accounts of the Board. Also, the Assembly should provide the Provincial Auditor with flexibility to react to unforeseen issues that the Provincial Auditor must examine (e.g. Channel Lake and the closure of the Plains Health Centre). To provide this flexibility, the Act needs to provide the Provincial Auditor with the autonomy to use revenues such as audit fees and to retain unspent resources at the end of a fiscal year to pay for the costs of audits. The Assembly can control the amount of unspent resources the Provincial Auditor has through the annual amount included in the Estimates for the Provincial Auditor. We note the Assembly has given many government agencies the autonomy to use revenues and unspent resources from previous years to carry out their responsibilities so they have the flexibility to do their jobs effectively.

How the current Act manages the risks	Recommendation for change to the Act
The current Act does not require the Standing Committee on Public Accounts to decide the Provincial Auditor's resources that are included in the Estimates the Government presents to the Assembly.	The Act should require the Standing Committee on Public Accounts to recommend the resources for the Provincial Auditor.
Similar to many government agencies, the Act gives the Provincial Auditor the authority to receive other revenues, to use those revenues and to retain unspent resources.	No change recommended.

The Assembly's Risks	Why the Act should address the risks
8. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should ensure the Government and the Assembly's committees and boards cannot intrude on the Provincial Auditor's responsibility to decide what should be audited and how it should be audited and reported to the Assembly.	If the Assembly is to receive independent and relevant advice, the Provincial Auditor must have the autonomy (independence) to decide what audit work needs to be done and how the work is carried out and reported to the Assembly (i.e., the work plan). The Act must ensure the Provincial Auditor is truly independent of the Government and its appointed officials in deciding the work plan. Also, the Act must ensure the Provincial Auditor can decide the work plan without interference from the Assembly's committees and boards. A key safeguard for ensuring the Provincial Auditor can examine and report difficult issues in a credible manner is the protection of the rules of the Assembly which ensure a full public debate. If those that are audited by the Provincial Auditor decide the Provincial Auditor's work plan, they have a conflict of interest. Also, if others decide the Provincial Auditor's work plan, the Provincial Auditor is no longer accountable for the work plan. To obtain the views of the Assembly on the adequacy of the work plan, the Standing Committee on Public Accounts should review the plan. The Committee should advise the Provincial Auditor what changes to the plan would help the Committee carry out its mandate.
9. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should ensure the Government and the Assembly's committees and boards cannot interfere with the Provincial Auditor's authority to decide and acquire the necessary people and tools needed to meet the Assembly's objective.	If the Assembly is to receive independent, reliable, and relevant advice, the Provincial Auditor must have the autonomy (independence) to decide and acquire the necessary people and tools that are needed to do the job properly. The Act must ensure the Provincial Auditor can acquire the necessary people and tools without interference from the Executive Government and its appointed officials and committees and boards of the Assembly.

How the current Act manages the risks	Recommendation for change to the Act
The current Act provides the Provincial Auditor with complete independence from the Assembly's committees and boards and the Government. The Provincial Auditor decides what is to be audited and how the audit is carried out and reported to the Assembly (i.e., the work plan). The current Act attaches conditions and allows the Provincial Auditor to refuse assignments requested by the Assembly's committees and the Government. This was done to ensure the Provincial Auditor was not diverted from doing the primary work set out in the Act.	No change recommended.
The current Act gives the Provincial Auditor the autonomy to decide how best to spend the resources available to obtain the required people and tools to do the job properly.	No change recommended.

The Assembly's Risks	Why the Act should address the risks
10. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should ensure the Provincial Auditor has access to people, places, documents, and electronic information to provide the Assembly with the information it requires.	The Provincial Auditor needs unrestricted access to officials and accounts that the Provincial Auditor is required to examine to provide the Assembly with the required information. If government officials do not give the Provincial Auditor access to accounts they manage (e.g., the First Nations Fund), the Act should impose penalties on those officials.
11. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should ensure the Provincial Auditor provides reliable information to the Assembly.	The Act should require the Provincial Auditor to adhere to rigorous auditing standards to ensure the information provided to the Assembly is reliable. Currently, The Canadian Institute of Chartered Accountants sets generally accepted auditing standards for the private and public sectors.
12. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should provide for the periodic renewal of the position of Provincial Auditor.	The Provincial Auditor should be appointed for a fixed term. Appointing the Provincial Auditor for a fixed term provides for the periodic renewal of the position of Provincial Auditor to bring new ideas to the operation of the Office. The term should be long enough so that the Provincial Auditor can effect positive change to the Government's management of public resources. Making a difference to the way the Government manages public resources can take many years.

How the current Act manages the risks	Recommendation for change to the Act
The current Act provides the Provincial Auditor with adequate access except for access to recipients of transfer payments. However, the Act does not impose penalties on officials who restrict the Provincial Auditor's access.	The Act should provide the Provincial Auditor with access to the people, places, documents, and electronic information of recipients of transfer payments. The Act should state that officials who fail to provide the Provincial Auditor access to the accounts they manage are deemed to have obstructed an Officer of the Legislative Assembly in the discharge of the duties required by the Assembly. The Act should then require a debate about this matter as provided for by *The Legislative Assembly and Executive Council Act*.
The current Act ensures the reliability of the information the Provincial Auditor provides to the Assembly. The Act requires the Provincial Auditor to be a Chartered Accountant. The Act also requires the Provincial Auditor to follow generally accepted auditing standards as prescribed by The Canadian Institute of Chartered Accountants. The Institute of Chartered Accountants of Saskatchewan has processes for ensuring Chartered Accountants do their examinations properly.	No change recommended.
The current Act does not provide for the periodic renewal of the position of Provincial Auditor. The Provincial Auditor is appointed until the Provincial Auditor reaches the age of 65, or the Assembly removes the Provincial Auditor for cause, or the Provincial Auditor chooses to end his or her tenure.	The Act should make the appointment of the Provincial Auditor for a ten-year fixed term. Also, as a transitional matter, the Committee should discuss and decide the date that the current Provincial Auditor's term begins and include that date in any changes to the Act.

The Assembly's Risks	Why the Act should address the risks
13. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should require the Standing Committee on Public Accounts to monitor what is happening within Saskatchewan and in other jurisdictions to re-evaluate the Assembly's objective for the Provincial Auditor.	The Assembly needs to monitor what is happening in Saskatchewan and in other jurisdictions to re-evaluate periodically its objective for the Provincial Auditor. This is necessary to ensure the Provincial Auditor continues to fulfill the Assembly's information needs. The Assembly should require the Standing Committee on Public Accounts to do this because this Committee works most closely with the Provincial Auditor. Also, this Committee's mandate is to hold the Government accountable for its performance.
14. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should clearly set out the Provincial Auditor's accountability to the Assembly for the use of authority and the discharge of responsibilities.	The Act should provide the Provincial Auditor with complete autonomy to discharge the Provincial Auditor's responsibilities. With this autonomy it is important that the Provincial Auditor is accountable for the use of authority and the discharge of responsibilities. An effective accountability relationship should ensure there is: ♦ An agreed upon plan that is clear as to responsibilities, authority, performance expectations, and resources needed; ♦ A reliable report on performance; ♦ A reasonable review of performance. In other sections of this Report, we discussed responsibilities, authority and resources. In this section, we discuss the information the Assembly needs on the Provincial Auditor's expected (planned) performance and actual performance and on the review of the planned and actual performance. To hold the Provincial Auditor accountable, the Act should require the Provincial Auditor to give the Assembly two performance reports. Those reports are a business and financial plan setting out planned performance and an annual report on operations setting out actual performance. The performance reports should include audit assurance from the person who audits the Provincial Auditor that the performance reports are reliable. The Act should also ensure the Assembly receives receive independent, reliable and relevant information about other aspects of the Provincial Auditor's performance (e.g., compliance with the law) directly from the person who audits the Provincial Auditor.

How the current Act manages the risks	Recommendation for change to the Act
The current Act does not require the Standing Committee on Public Accounts to periodically reassess the Assembly's objective for the Provincial Auditor.	The Act should require the Standing Committee on Public Accounts to periodically review the Assembly's objective for the Provincial Auditor.
The current Act does not require the Provincial Auditor to give the Assembly an annual business and financial plan setting out planned performance and an annual report on operations setting out actual performance. The Provincial Auditor currently gives the Assembly these two reports. The Act should require the Provincial Auditor to give these two reports to the Assembly.	The Act should require the Provincial Auditor to give the Assembly an annual business and financial plan and an annual report on operations.
The current Act requires that an auditor appointed by Cabinet audits the Provincial Auditor. By law, that auditor is required to provide independent, reliable, and relevant information to the Standing Committee on Public Accounts about the Provincial Auditor's performance. Also, by law, the auditor that audits the Provincial Auditor has the same authority and responsibility as the Provincial Auditor.	No change recommended.

The Assembly's Risks	Why the Act should address the risks
15. To ensure the Assembly receives independent, reliable and relevant information from the Provincial Auditor about the Government's performance, the Act should require the Standing Committee on Public Accounts to monitor the Provincial Auditor's performance to ensure the Assembly is receiving the information it needs to hold the Government and the Provincial Auditor accountable.	The Assembly needs to monitor the Provincial Auditor's planned and actual performance and to provide advice to the Provincial Auditor to improve performance. This is necessary to ensure the Provincial Auditor provides the Assembly with required information about the Government's performance effectively. To recognize the Provincial Auditor is accountable only to the Assembly, the review should be carried out by a Committee of the Assembly that does not include Cabinet Ministers or Government-appointed officials. The Standing Committee on Public Accounts is the appropriate committee to monitor the Provincial Auditor's performance. The Act should require the Committee to do so and provide the Committee with the authority to acquire the resources to do so effectively.

How the current Act manages the risks	Recommendation for change to the Act
The current Act does not require the Standing Committee on Public Accounts to review the Provincial Auditor's planned and actual performance and to provide advice to the Provincial Auditor.	The Act should require the Standing Committee on Public Accounts to review annually the plan and report on operations with the Provincial Auditor and to provide advice to improve the Provincial Auditor's performance. The Act should also provide the Committee with authority to acquire the resources to do so effectively.